

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7316**

**BILL NUMBER:** HB 1661

**NOTE PREPARED:** Feb 3, 2005

**BILL AMENDED:**

**SUBJECT:** Legislator Salary and Retirement Health Benefits.

**FIRST AUTHOR:** Rep. Frizzell

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill beginning in 2007, provides for an annual increase in legislator salaries based on the salary increases, if any, received by executive branch employees during the previous year. This bill provides that the legislator salary increase will not occur if the most recent state budget act includes a finding that state finances do not permit the increase to take place.

The bill also increases (from 10 to 20) the years a former member of the General Assembly must have served in order to participate in the state health insurance program, and requires the former member to leave the program when the former member becomes eligible for Medicare. This bill prohibits legislative leaders from making an election to have the General Assembly contribute any part of the health insurance premium for former members of the General Assembly whose last day of service is after November 7, 2006. The bill also continues certain elections made by legislative leaders concerning conditions for participation in the state health insurance program, including the payment of a share of the premium for that coverage by the House of Representatives or the Senate. This bill also repeals and relocates without change certain provisions concerning eligibility requirements for the spouse of a legislator who dies in office.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** *Legislator Salary:* This bill provides that in 2007 and every year thereafter the annual salary of members of the General Assembly will be increased by an amount or percentage of salary, if any, that the employees of the executive branch of state government received during the previous calendar year as a cost-of-living adjustment (COLA). The bill also says that if the most recent state budget act includes a finding that state finances do not permit an increase in the salary of the members of the General

Assembly, then there should be no increase for the members.

The total cost to the state for every 1% increase in all 150 legislator salaries is \$22,670. This includes a 1% increase to the legislators' base salary of \$11,600 as well as a 1% increase in all benefits that are based on a percentage of the base salary.

*Background on Legislator Salary Provision:* The COLA increases received by the executive branch of state government from July 1990 through January 2004 were as follows:

Date	Cola % Increase
Jul-90	5.0%
Jul-91	0.0%
Jan-92	0.0%
Jan-93	0.0%
Jan-94	3.0%
Jan-95	4.0%
Jan-96	3.0%
Jan-97	3.0%
Jan-98	4.0%
Jan-99	4.0%
Jan-00	4.5%
Jan-01	4.5%
Jan-02	0.0%
Jan-03	0%+\$1092*
Jan-04	2%+\$884*

*Health Benefit Costs Under Group Health Insurance Program:* The state currently pays a share of the health insurance premium for former state legislators (or surviving spouses) who have at least 10 years of service credit as a member of the General Assembly. The amount paid by the state is the same percentage employer share of the premium paid for other state employees as existed at the time of the legislator's retirement. This bill eliminates the authority of the House and Senate to pay any part of the health insurance premiums for those former legislators whose last day of office is after November 7, 2006. The bill also increases from 10 years of service to 20 years of service for a retired legislator to qualify for the state health insurance program.

The estimated reduction in state expenditures from the state General Fund from what otherwise would occur will most likely begin occurring in FY 2009 (after the November 2008 elections). However, the impact could occur sooner in the event that a legislator would retire in the middle of their term of office (i.e., retire after November 7, 2006).

In addition, former legislators (whose last day of office is after November 7, 2006) will become ineligible for group health insurance benefits once the retired legislator becomes eligible for Medicare.

*Medicare Supplement Insurance Program:* The bill also eliminates the statutory requirement that the Department of Personnel offer Medicare supplement insurance policies to retired state employees who become eligible for Medicare coverage. The current statutory requirement is that at least two policies be offered: one

providing medical coverage only, and the other providing medical coverage along with coverage for prescription drug benefits. Currently, 18 individuals are enrolled in the Medicare supplement plans; 6 with medical coverage only and 12 with medical coverage plus prescription drug coverage. Enrollees are required to pay the entire premium. Although the statutory requirement to provide these policies is eliminated, elimination of the program will depend on administrative actions.

*Background Information:* The annual premiums for health insurance or coverage under HMO plans currently range from \$3,810 to \$5,104 for single coverage and \$10,668 to 13,981 for family coverage. The annual premiums for dental coverage currently range from \$197 to \$207 for single coverage and from \$513 to \$673 for family coverage. And the annual premiums for vision coverage are approximately \$46 for single coverage and \$116 for family coverage.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** General Assembly; Department of Personnel.

**Local Agencies Affected:**

**Information Sources:** Indiana Pension Handbook

**Fiscal Analyst:** Adam Brown, 317-232-9854; Alan Gossard, 317-233-3546.